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**FISCAL IMPACT STATEMENT**

**LS 6549**

**BILL NUMBER:** HB 1073

**NOTE PREPARED:** Jan 23, 2006

**BILL AMENDED:**

**SUBJECT:** Tax on recreational vehicles and cargo trailers.

**FIRST AUTHOR:** Rep. Walorski

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill eliminates the requirements: (1) that a retail merchant collect Sales Tax on the retail sale of a cargo trailer or recreational vehicle to a nonresident purchaser in an amount equal to the difference between the Indiana Sales Tax rate and the Sales Tax rate in the state where the purchaser resides; and (2) that a nonresident purchaser submit proof of registration in another state to the retail merchant within 60 days of the sale.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

**Explanation of State Revenues:** This bill exempts sales of recreational vehicles (RVs) and cargo trailers to nonresident purchasers who take the RV or trailer out of state within 30 days and register it in another state. These provisions will decrease Sales Tax collections between \$4.0 M and \$8.7 M annually.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

*Background Information:* P.L. 81-2004 repealed a Sales Tax exemption for motor vehicles, watercraft,

trailers, and aircraft purchased in Indiana and registered out of state. P.L. 195-2005 (SEA 213-2005), effective July 1, 2005, reestablished the aircraft exemption and a partial exemption for cargo trailers and RVs. The partial exemption, which is current law, allows an exemption equal to the difference between Indiana's 6% Sales Tax rate and the rate of the purchaser's home state. The result is that under current law, a non-resident purchaser pays Sales Tax to Indiana at a rate equal to the rate they would have paid had they made the purchase in their home state.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Adam Brown, 317-232-9854.